



## Pension Reform: Speak Now or Forever Hold Your Peace

Posted by [Pierluigi Oliverio](#) on Monday, August 02, 2010

The Rules Committee allowed my memo on Pension Reform to go before the City Council Tuesday, Aug. 3, to be considered as a ballot measure for San Jose voters this November. At the Rules Committee meeting, members of the public were few compared to the number of paid lobbyists that were in the audience.

I have a supplemental memo coming out today which will ask the Council to adopt the language below:

"To provide fiscal stability, control costs and maintain City services to residents, shall the Charter be amended to allow the Council, by ordinance and subject to the requirements of applicable law, to exclude any officer or employee hired on or after the ordinance's effective date from any retirement plan or benefit of any plan?" (For example, this means we could exclude new employees from the 250% pension match.)

I have been a Councilmember for over three years and pensions have only increased in cost for residents of San Jose. The ability for the Council to have the flexibility and the option to negotiate a 2nd Tier would be a positive step for everyone involved, union members and taxpayers alike. Only through developing a new fair pension for new employees can we get to a point of trying to balance the structural budget deficit. However, during my three-plus years on the Council, discussions of 2nd tier always get postponed. "Kicking the can" is the easy thing to do, but San Jose can no longer pretend that our problems will go away.

Many of the union speakers at the Rules Committee last Wednesday mentioned that there needs to be dialogue, a process and time to discuss 2nd Tier. Actually my proposal does just that since changing the charter means we will still have dialogue and negotiations with the unions as obligated by law. A union lobbyist said Pension Reform would waste money since a second election would be needed once a 2nd Tier was agreed upon. Not so. As stated by the city attorney on Wednesday only one election would be needed since the 2nd Tier would then be implemented by ordinance which only requires a vote of the city council. The cost to the City to have Pension Reform on the ballot now is less expensive than a special election advocated by others.

Another union speaker was critical since my pension reform proposal did not mandate a specific 2nd Tier. This instead gives the Council flexibility in decision making as actuarial studies need to be completed as well as negotiation with our unions. Also, this allows the Council in future years to have the flexibility in adopting changes to a 3rd Tier should city revenues continue to deteriorate.

A letter submitted by a lobbyist for the union talked about needing two to four years to negotiate a 2nd Tier. This would be problematic—we should conclude negotiations within one year. Delay misses the opportunity to stop the bleeding. Another union speaker claimed the city is not hiring when that is not so. The City must hire to replace retiring employees. In fact 35 percent of the workforce is retiring in the next four years and it is important to lock in those cost savings. If we do not, each new employee carries 60 years of fiscal pension liability (30 in their career and 30 in retirement).

With all due respect, I believe the union leadership is missing the point. If we do not provide new pensions for new employees then the alternative will be to lower wages significantly and/or layoff employees. Laying off employees will affect residents. If the pension costs had not soared by \$60 million this last year then we would not not be closing fire stations, libraries, postponing police academies and laying off other city workers.

The criticism I have heard from non-union people is that my proposal is not draconian enough and that the pension plans should be blown up. To them I paraphrase Voltaire: "Do not let the perfect be the enemy of the good." Failing to act now will only lead to more obligations we cannot afford . Otherwise, do nothing and we will have more layoffs. Again, the increase in pension costs of \$60 million dollars this year led to the layoff of city employees who provide services.

The ball has been teed up for the public. Speak now or forever hold your peace. Aug. 3 at 3:30pm. No need for a babysitter—City Hall is open to children. Bring a book or some knitting needles or both. If it is your first time to a Council meeting you may find you enjoy watching your city government in action.

The results of last week's survey on November ballot measures, with 129 respondents, are viewable by clicking [this link](#).

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